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AMERICAN BANKER

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Bank's Victory Over Auditor May Set Trend

By SAM ZUCKERMAN

SAN FRANCISCO — A jury in Orange County, Calif., recently ordered Ernst & Young – one of the nation's Big Six accounting firms – to pay $5 million to Union Bank, San Francisco, for misrepresenting a borrower's financial condition.

This verdict added banks to the growing list of nonclients that have won suits against accountants. The plaintiffs in these suits typically had stakes in businesses that had been audited by the accountants; they sued on grounds that the audits had been misleading.

Suits have occasionally been won by stockholders and nonbank creditors who lost money in corporations that had been audited. Suits of this type contend that the accountants were negligent in preparing financial statements of these corporations.

ANALYSIS: *Follow-up on the news*

But legal experts say it is rare for banks to win jury trials in cases arising from accountants' opinions on loan customers. All the same, banks seem to be increasingly willing to take borrowers' accountants to court.

"You are seeing banks sue more often, alleging reliance on audited – and sometimes even unaudited – financial statements," said Ronald B. Klein, an attorney for the Cal Accountants Mutual Insurance Co. The company provides professional liability insurance to accountants.

A Question of Trust

At stake is the way banks use audited financial statements in making loan decisions. Bankers argue that they should be able to trust an auditor's competence and truthfulness. Accountants say that financial statements are opinions based on available information, and that bankers must enforce their own underwriting standards.

"Can we or can we not rely upon accountants? That was really the issue" in the Union Bank suit, said Stephen Weiss, the bank's deputy general counsel.

Until the Orange County trial, banks usually lost suits against accountants. "I can't remember a jury verdict for banks in an accountant third-party liability case," Mr. Klein said.

Legal Precedents

In recent months, the supreme courts of Alabama and West Virginia have upheld low-

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INSIDE NEWS

TECHNOLOGY

COMPANIES PREFER to use banks for electronic data interchange, according to a recent survey. But value-added networks – such as that offered by Sears, Roebuck – could cause banks to lose market share. *Page 3*

FINANCE

THE SIX-MONTH plunge in share prices of money-center banks has pushed up their stocks' average yield to near the level last seen after the 1987 market crash. *Page 24*

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INTERNATIONAL

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COMMENT

BANKS HOLD TOO MANY leveraged-buyout loans, now that market psychology has turned against leverage, writes Christopher T. Mahoney. *Page 4*

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Comerica Off To Early Start In California

By NANINE ALEXANDER

When California passed a bill three years ago opening its borders to national interstate banking on Jan. 1, 1991, there was widespread speculation that major New York banks would rush to buy up banks in the state.

But so far, only midsize Comerica Inc. is showing interest.

The Detroit-based bank company announced late Monday it would acquire InBancshares, a $242 million-asset bank company based in suburban Los Angeles. Comerica also agreed, late last year, to acquire the $485 million-asset Plaza Commerce Bancorp, based in San Jose.

Both transactions are expected to close early next year, after California's national interstate banking law is triggered.

Though large New York money-center banks apparently want to enter the California market, analysts said Tuesday that they are prohibited from doing so because of their mounting real estate lending problems and their battered stock prices.

"New York banks want to buy bigger banks than Comerica is looking at," said Henry C. Dickson, an analyst with McDonald & Company Securities Inc., Cleveland. "It would be tough to do a stock deal without [share-

See **COMERICA** *page* **9**

White House to Bypass Kemp's Pick for Agency

By BARBARA A. REHM

WASHINGTON — In the latest sign of disarray in the government's bailout of the thrift industry, the White House confirmed Tuesday that it would not nominate Mary K. Bush as chairman of the Federal Housing Finance Board, despite the recommendation of Housing and Urban Development Secretary Jack Kemp.

Mr. Kemp recommended Ms. Bush last September, when she became acting managing director of the board. The agency was established by the thrift bailout law last summer to oversee the Federal Home Loan Bank System.

Ms. Bush's candidacy was dealt a blow last month when word leaked out that she had given three friends nearly $200,000 in no-bid contracts to help get the agency running.

Contracts Called Separate

A White House spokesman confirmed Tuesday a *Washington Post* report that Ms. Bush would not be nominated. The report said the White House had decided to make the board position part time rather than the full-time job Ms. Bush had expected. The questions over the no-bid contracts were "a separate issue," according to the spokesman.

Robert E. Nipp, a HUD spokesman, confirmed that Mr.

Mary K. Bush
Housing Finance Board

Kemp had offered Ms. Bush the option to stay on as the agency's managing director. Ms. Bush was set to meet with Mr. Kemp Tuesday "to discuss her role," according to her spokesman, Joesph Slye. Neither was available for comment.

Mr. Kemp is the only person appointed so far to the five-member finance board, which is overseen by HUD. The agency's slow start has invited comparisons with the Resolution Trust Corp., which has also been subject to political infighting and delays in the appointment of

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Low Share Price Bedevils Security's Chief

By SAM ZUCKERMAN

LOS ANGELES — When Robert H. Smith took over the reins of Security Pacific Corp. in January, he inherited one of the strongest banking franchises in the country.

Based in the booming Pacific Rim market, the company had just posted an 18.8% return on equity, the fourth-highest among superregional banks in 1989. Common equity stood at a solid 4.83% of assets, and assets were up 8% to $84 billion for the year.

But Mr. Smith also inherited a frustrating problem: a lagging stock price. For all the bank's apparent strengths, investors value its stock barely over book value.

Worse than Average Performer

To be sure, Security Pacific is not alone. The stocks of many large banks are under siege because of investor concerns about real estate loans, leveraged buyouts, and other problem assets. Nevertheless, Security Pacific's shares have fallen deeper and recovered more slowly than those of most other big banks.

TAKING STOCK: Robert H. Smith, head of Security Pacific, has conducted brainstorming sessions to find ways of making the company attractive to Wall Street.

The problem is particularly restraining for Security Pacific. A low stock price would stymie Mr. Smith's ambitious plan to expand operations to as many as 35 states in the next decade. Expansion "depends on our ability to have currency, our stock," the 54-year-old chief executive officer acknowledged during an interview at the company's Los Angeles headquarters.

The day after Mr. Smith re-

See **SECURITY** *page* **16**

Banks Wary of Sears Data System

Electronic Payments Could Cut Their Share of Fees

By RICHARD LAYNE

NEW YORK — The early experience of Sears, Roebuck and Co. in marketing a new electronic payment service to corporations indicates that banks may lose a portion of their anticipated cash-management fees to communications companies.

The results are viewed as disappointing to several banks that have joined a Sears subsidiary, Sears Communications Co., in promoting an electronic data interchange system for corporate trade payments and related documents. The response also runs contrary to published surveys and bankers' experience marketing EDI on their own.

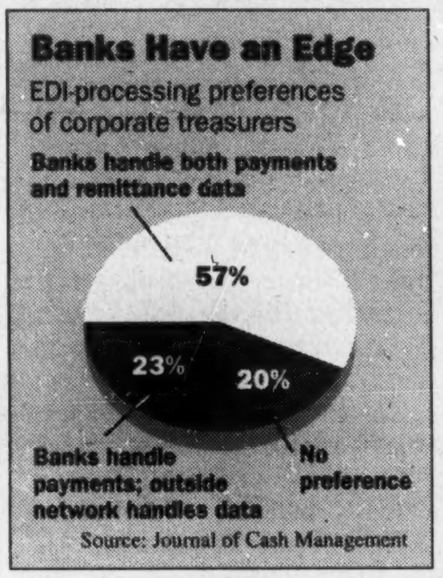
In discussions with 50 corporate treasurers, Sears Communications Co. found that virtually all wanted the banks to handle only the payment portion of EDI transactions, while related documentation would be transmitted via specialized communications suppliers known as value-added networks.

Data Can Precede Funds

In Sears' EDI offering, data on a corporate transaction can be delivered through its network up to seven days before the funds transfer is made, enabling treasurers to plan their cash flows in advance.

"They all want the detail early, as opposed to through the banking system," said Sara Coffou, manager at Sears Communications Co. Its eight-bank consortium, called Financial Data Interchange Service, has begun to originate payments for Sears Merchandising Group and plans to provide the service to other corporations.

Of the 15 or so corporations that have signed on for the financial EDI service, in which electronic payments accompany invoice information, all have asked that value-added networks, not banks, handle the transmission of invoices.



Fees Are Diminished

Use of a value-added network for the nonfinancial part of the service limits the cash-management business for originating banks. The Sears experience could indicate that banks may have to find new sources of fees in this budding electronic business.

Levi Strauss & Co., the first of Sears' trading partners to sign on for the service, receives data and dollars together through the banking payment system. Once Strauss completes modifications in its accounts-receivable system, Ms. Coffou said, the retailer will use a value-added network.

With transaction details available before payments are made, bankers were not surprised that Sears' suppliers prefer a value-added network over a bank.

Value Is Noted

"If Sears is talking to larger companies that are EDI proficient and they can get the remittance information early, they are better off," said Henry L. Waszkowski, senior vice president at First Wachovia Corp., a member of the Sears alliance.

Ms. Coffou's experience runs counter to two surveys of corporate treasurers. In 1989, EDI Group Ltd., Oak Park, Ill., asked 97 treasurers whether they wanted a bank to handle both the payments and the payment detail. Three-quarters said yes.

Robert D. Edwards, senior vice president at Pittsburgh National Bank and two other bankers published a study on the dollars-and-data issue in the January-February *Journal of Cash Management*. Of 42 corporations surveyed, more than half preferred that banks handle both payments and payment detail.

Bankers said that their customers want the financial institutions' help in navigating this new payment technology.

"Our customers want the payment and payment information through the bank the way they've always had it," said Jane Lohmar, assistant vice president at First Chicago Corp., which is not part of the Sears consortium.

Given the small volume of electronic-data originations for banks, any loss of revenue to nonbank suppliers is not sizable.

Alternatives Noted

"Sure, the bank makes more money if the information goes through the bank," said Peter J. Stein, first vice president at National Bank of Detroit. "But banks can still provide services in formatting [of data], even if the information does move outside the banking system."

Also, bankers said that financial EDI is a new field, in which all areas for fee generation are not yet apparent. "We may lose overall fees in cash management," said Ralph Joy, vice president at Mellon Bank. "That's assuming you don't find some value-added services for EDI to supplement the lost fees." □

Graphnet, Germans Offer Low-Cost, Fast Bank Telex

By JEANNE IIDA

NEW YORK — Graphnet Inc. and the West German telecommunications carrier Deutsche Bundespost will begin offering a service to U.S. banks in May that can make their international telex traffic faster and less expensive.

This will be the first such service, called teletex, offered in the United States. Teletex is a faster version of telex that transmits messages at about one-third the cost of telex from one personal computer "mailbox" to another.

When European business partners send teletex messages to the United States, they must be converted to telex format. This raises the cost and increases the possibility of error, said Yaakov Elkon, president and chief executive of Graphnet in Teaneck, N.J.

Supplement to Swift Network

Many banks use telex to transmit and receive letters of credit and payment instructions where the so-called Swift network does not operate. Swift, the Society for Worldwide Interbank Financial Telecommunication, is a nonprofit communications consortium of banks in 67 nations.

Most banks, however, are moving as much of their international traffic as possible away from costly and delay-prone telex to electronic mail or to networks such as Swift.

Over time, the volume of messages over telex will continue to decline, bankers said. Caesar Gavilan, operations officer at Algemene Bank Nederland in New York, said about 40% of the bank's financial payment instructions are transmitted via telex. He projected that just 10% will go that route by 1995.

"As Swift grows, telex continues to decrease," he said.

Swift is both cheaper and more secure than telex traffic, Mr. Gavilan said. And while the new teletex service from Graphnet will cost about one-third less than telex, it will still cost 10 times more than telex, said James Martin, vice president, payment services, Seattle-First National Bank.

But where telex must be used, Graphnet is both competitive and relatively secure. "There's always going to be some telex traffic," said Mr. Martin, and Graphnet offers his bank, a BankAmerica Corp. subsidiary, "very competitive" prices. □

Nonbank Gets Big Card Processing Contract

NEW YORK — First Tennessee Bank said Tuesday it signed a five year, $10 million-plus contract to have Electronic Data Systems Corp. handle its bank card processing and merchant accounting.

First Tennessee serves 600,000 cardholders and 30,000 card-accepting merchants. Dallas-based EDS, a leading data-processing company expanding into the credit card field, will process transactions, keep accounting records, and generate statements for First Tennessee customers.

EDS, a subsidiary of General Motors Corp., will also provide billing and profitability analyses. The $6.4 billion-asset First Tennessee Bank is the principal subsidiary of First Tennessee National Corp., Memphis.

EDS signed another merchant-processing contract a month ago with First USA Bank, a Delaware credit card bank, for services that could generate $100 million in revenue.

— **Jeanne Iida**

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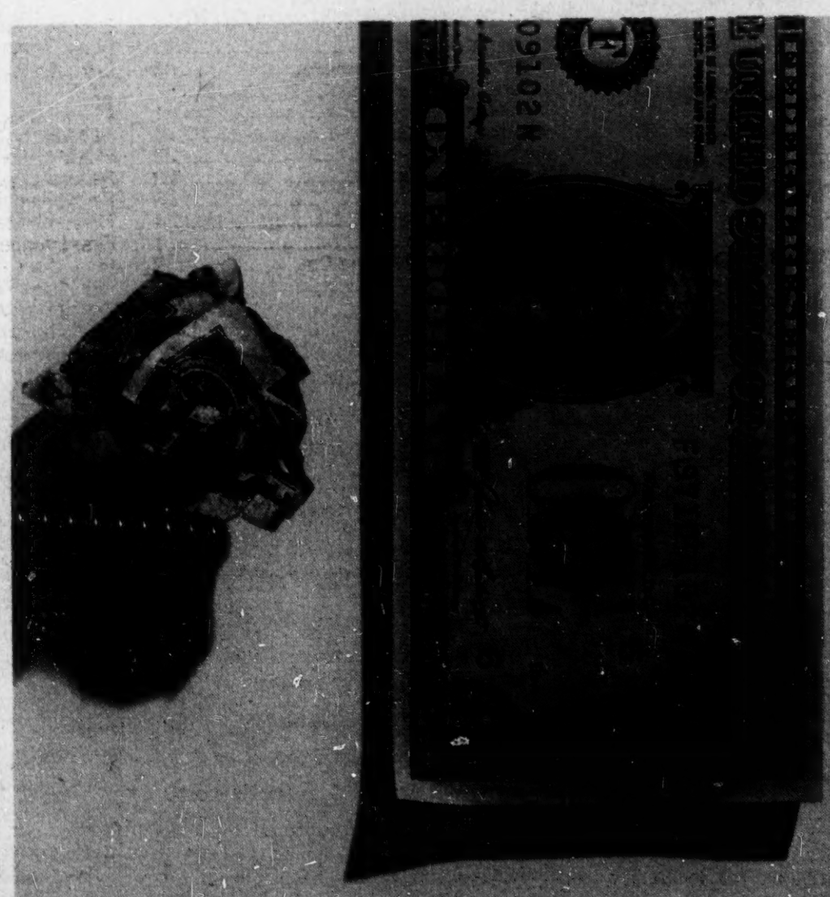

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COMMENT/ *By Christopher T. Mahoney*

Markets, Cool to Leverage, Make LBO Survival Harder

Besides real estate, a worrisome area of asset quality is leveraged buyout loans. By LBOs, I mean all the deals in which companies used a combination of junk bonds and bank debt to lever up, for whatever reason. All the obvious names come to mind, with RJR Nabisco being the ultimate example.

The numbers for the banks are too big. Using the old, narrower definition, the money centers had $36 billion of LBO exposure at the end of 1988, which was a little less than their common equity in aggregate.

The events of the past nine months have not helped LBO credit quality. Many of the risks that used to be cited, such as overly optimistic projections and reliance on asset quality, have begun to manifest themselves.

But it is ironic that what may ultimately prove to be the undoing of many LBOs is something that few people have identified as a threat to LBO credit quality, namely, an almost overnight change in market psychology from proleverage in early 1989 to antileverage in early 1990.

The traditional bearish view was that a recession would cause some LBOs to default, which would start the downward cycle. But instead, the psychology changed without a recession, and that change alone has had and will have devastating consequences (which may include a recession).

A changed attitude toward leverage is dangerous for leveraged borrowers: A bearish environment is bad for both refinancing and asset values. It may turn out that a recession will not be needed to put a lot of LBOs into the tank.

An LBO loan can be repaid only through three sources: asset sales, refinancing, and internal cash flow. But few LBOs can repay debt from cash flow, which leaves asset sales and refinancing.

Values Have Declined

Private market values are now under pressure because of the junk collapse. Without ready sources of finance, the number of potential purchasers and what they can pay is reduced. Hilton Hotels and Cluett-Peabody are the most recent examples of properties that did not fetch what they were supposed to.

It seems that the junk-financed acquirers were willing to pay a lot more for a given company than other people are willing to pay, which is not good news for a lot of LBOs.

Similarly, the outlook on the refinancing front is also bleak. The junk market is basically closed to new issues, and bank credit committees are less and less inclined to entertain new commitments.

Refinancing Junk Not Easy

Banks can and will voluntarily refinance maturing LBO loans if the borrower is meeting projections, and banks will involuntarily refinance when the borrower is not meeting plan. But it is not as easy to refinance junk bonds: If principal payments cannot be met, there is either a renegotiated restructuring (like Seaman Furniture and SCI-TV) or a bankruptcy (like Revco, Campeau, and Hillsborough Holding).

The fact of the matter is, although junk bonds are junior to bank debt, they are not equity. Equity holders cannot tank the company; junk holders can and do.

The junk collapse, by closing off refinancing, is causing another set of problems as well. Many LBO structures contain one or more of the following: reset bonds, zero coupon bonds, payment-in-kind bonds, and increasing-rate (or step-up) notes. These instruments were attractive because they postponed or artificially reduced interest payments in the early years.

But they can be time bombs for companies that cannot refinance. Reset bonds are the worst.

Zeros and payment-in-kind bonds, by accruing interest, compound the refinancing problem. Exchange notes with a step-up feature, sometimes known as increasing-rate notes, provide for higher and higher interest rates in order to encourage the issuer to refinance, which is fine if it can refinance but a big problem if it cannot.

The bottom line is that we are expecting LBO problems to rise substantially. Since bank LBO loans are generally senior and secured, actual losses should be relatively modest, certainly less than with problem real estate loans or LDC loans. But there will be exceptions in which banks will lose quite a bit.

More important, a real worry is that a high level of problem LBO loans can cause a loss of confidence, especially if banks have other problems.

For this reason, Moody's is increasingly concerned about the appropriateness of large LBO concentrations, especially for weaker institutions. Although we generally view LBO risk concentrations more negatively than before, we do not expect LBO exposures to result in a significant number of rating downgrades. □

Mr. Mahoney is a vice president at Moody's Investors Service. This is the text of a speech he gave at the Bank and Financial Analysts Association Annual Bank Symposium in New York on March 22.

GRAPEVINE/ *By Jed Horowitz*

Reading the Pay Stubs. Thomas S. Johnson received a $500,000 signing bonus when he joined Manufacturers Hanover Corp. as its president on Dec. 19, according to the company's proxy statement. He also inked a three-year contract guaranteeing him an annual base salary of $650,000.

Not a bad package, at first glance. But a proxy statement from his former employer, Chemical Banking Corp., reveals that Hanover may simply have been picking up the slack.

Mr. Johnson was paid $484,917 in salary and bonus as president of Chemical last year – about $505,000 less than his previous year's compensation. His executive office colleagues at Chemical took much smaller pay cuts.

At Hanover, meanwhile, some people are interpreting the three-year Johnson contract as a sign that he will succeed chairman John F. McGillicuddy at the end of 1992. Mr. McGillicuddy, 59, has named Mr. Johnson heir apparent but never specified when the transition would occur. Mr. McGillicudddy, incidentally, received $1.7 million in 1989.

* * *

BONY Prowls for Prey. Regional banks, beware. Now that Bank of New York has digested Irving Bank Corp., it wants to swallow "another bank of substantial size, preferably in another geographic location," according to an internal employee publication.

Carter Bacot, the bank's chairman, recently told employees it is "economically wise" to diversify deposit bases, according to the newsletter. The bank is "in a position" to buy, he added. Merger-related savings from the hostile Irving takeover reached $108 million last year, $8 million more than budgeted.

Bank of New York's securities-processing unit also is on the prowl to acquire corporate-trust, custody, and stock-transfer businesses, the newsletter said. (However, the unit plans to eliminate its mutual-funds-transfer agency business this year.) The regional bank also will continue its aggressive pursuit of credit card portfolios.

Internationally, the $49 billion-asset bank intends to build volume by pricing its funds-transfer services "very aggressively," according to a report on BONY's three-year strategic plan. It also will focus on expanding letter-of-credit services as a correspondent banking product to large regional banks.

* * *

Credit Card Crunch? Although bank examiners are still scrutinizing real estate and highly leveraged loan portfolios, some regulators are already worrying about the next problem area: consumer credit.

Karen J. Wilson, head of the Comptroller of the Currency's posse of examiners in the Northeast, says she fears that banks are using the wrong criteria in evaluating consumer credit quality.

The historical method of monitoring past-due balances may be outmoded because credit is so easily available today through nationwide card solicitations, she said in an interview. Consumers can easily set up Ponzi schemes, Ms. Wilson said, borrowing on new credit cards to make ever smaller payments on old ones. "Until the bubble breaks, everybody thinks they've got a great deal," she said.

It's premature to talk about scrutinizing consumer portfolios, Ms. Wilson said, but added: "As we look at consumer credit or target it in individual banks, we'll be asking questions on how you control risk."

* * *

Of Love and Money. Former-Texas Commerce Bancshares chairman Ben F. Love, who engineered the sale of his bank company to Chemical in 1987 for $1.1 billion, is still a happy Chemical man. For the next five years, he will collect $10,000 a month as a consultant to Chemical, according to the bank's proxy statement. Mr. Love received $662,083 from Chemical last year before retiring Dec. 1.

* * *

Know Your Customer. You lend a good customer a lot of money, you lease an apartment from him, your family does business with him. What thanks do you get? If you are Jerome McDougal, chairman and chief executive of Apple Bancorp, the customer launches a $140 million hostile bid against your company.

Last week, Stanley Stahl launched a $38-a-share attack against Apple. Mr. McDougal, according to tender offer documents, has leased an apartment from Stanley Stahl since 1987 – paying him $27,660 in rent since then.

The two have other personal financial ties. Mr. Stahl, who has more than $48 million of mortgages outstanding with Apple, lent $245,000 to Mr. McDougal's daughter and son-in-law at 9% interest in 1987. The loan, guaranteed by Mr. McDougal, was repaid in full last December.

Mr. Stahl, for his part, has done some favors for Apple. As of March 27, the multimillionaire real estate investor kept $536,100 in two passbook savings accounts at Apple. They pay interest of 5.25%.

He also has $25 million in negotiable certificates of deposit from Apple that pay 8%. However, he can withdraw them on seven days' notice, and they mature if the parties cannot agree on a new interest rate after six months. The documents note that Mr. Stahl opened the accounts to insure liquidity to propel his bid. □

Reader Forum

The *American Banker* welcomes points of view on issues of interest and importance to the banking industry.

Please direct them to Jeffrey Kutler, assistant managing editor, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for space for a Letters to the Editor column or published separately as commentary.

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COMMENT/ *By Eileen M. Friars, Robert B. Hedges, and Craig D. Elderkin*

How to Identify Prospects For a Successful Takeover

There are unquestionable incentives for banks to expand customer franchises and achieve operating economies through mergers.

A recent study by the MAC Group for the Bank Marketing Association, titled "Winning Strategies for Consolidation," provides a framework banks can use to identify the most suitable merger partners.

Interestingly, that same framework explains the success and failure of hostile takeovers, and contradicts the assumption that hostile acquisitions in the commercial banking industry are doomed to failure. The potential benefits of a merger between the right institutions are so significant that banks failing to initiate them may ultimately find themselves a merger candidate, willingly or not.

Conventional industry wisdom says that hostile takeovers have no winners. The target's franchise will be damaged, perhaps irreparably, in the battle, and the acquirer's stock will be overly diluted.

'What is critical is a clear-eyed analysis of the relative franchise strengths of the attacker and its target.'

Hostile takeovers can work, however. What is critical is a clear-eyed analysis of the relative franchise strengths of the attacker and its target and a rational approach to consummating the deal so that those strengths are retained and optimized.

Even though attackers always pay a significant premium over market value (see table), that premium can be recouped through improved earnings from a successful consolidation.

The steps below, distilled from our recent study, provide a structure for achieving mergers that work, including mergers with a reluctant partner.

Steps to Take

• Identify specific opportunities for creating value and specific objectives for the acquisition.

In the best-known hostile takeover, Bank of New York's 13-month battle for control of Irving Trust, the attacker sought to create value in its key franchise, its operating businesses.

The clear priority given to this objective drove the acquisition strategy. Revenue could be raised by purchasing a larger market share in the processing businesses common to both institutions.

Costs could be reduced by eliminating duplicate operations in "across the street" locations. Comparable improvement could be achieved in certain other wholesale banking businesses.

It is too soon to judge results, but Bank of New York is successfully proceeding along its stated course to achieve the objectives.

• Identify potential partners with the necessary characteristics and whose price would be feasible.

The first hostile takeover of a bank in the current era – of Union Commerce Bank, Cleveland, by Huntington Bancshares, Columbus, in 1981 – was financially untenable from the start. At a discount of 10% to book value, the original offer was too low for Union Commerce's management and shareholders, generating animosity that ultimately resulted in the loss of business and key people.

Huntington's goal was to make itself safe from acquisition by increasing its size, assets, equity, and number of shareholders. Union's management recognized this goal, however, and made itself less attractive for this purpose by selling its southern Ohio banking chain early in the struggle.

Perseverance Paid Off

Huntington persevered, however. Moreover, the final offer after the intercession of a white knight was too high, at twice market value. Union was struggling to come back from severe writeoffs taken two years earlier and was performing poorly compared with peers.

The combined entity lost customers, reduced distribution outlets, and lost managers and bankers. Integration proved more costly than expected. The takeover depressed earnings by 40%, and observers consider the deal a failure.

In contrast, when a hostile attempt put Centerre Bank into play in 1988, three St. Louis competitors bid to acquire its strong position in local markets and its leading trust operation.

Integration Was Quick

The eventual high bidder and "hostile" acquirer, Boatmen's Bancshares, moved quickly to integrate the two banks and maximize the franchise. It seems to have taken the steps necessary to add value to the merged company through cost cutting and elimination of overlapping functions. Although still in the integration phase, the merger appears to be paying off.

• Focus on integration and organizational issues: How acquirer and acquired, once together, will reinforce a merger's value or nullify it.

There is a wide range of possibilities – from a hands-off position, as Boatmen's took selectively with Centerre's stellar trust department, to full absorption, as Bank of New York elected in rationalizing Irving's operating businesses.

Holding Onto Customers

Always, the objective is to retain the target's franchise strengths that were the motive for the acquisition in the first place. This means, above all, not alienating the target's customers or doing anything that will undermine their faith in the merged institution.

Many times, the most appropriate structure is some moderate form of integration. This was the solution favored by Barnett Banks Inc., Jacksonville, when it took over Florida Coast Banks in 1983.

Barnett's plan was to strengthen Florida Coast's earnings by reducing its overhead expenses. Drastic cuts might have been made but were not, since the 2% dilution in earnings resulting from the deal could be extinguished by recourse to only modest reductions.

• Resolve organizational issues. Despite the hostility of the takeover fight, Barnett succeeded in retaining key people (and thus customers) by sensitive attention to Florida Coast's management and board members.

Completed Hostile Takeovers
From 1980 to 1988

Date	Initiator	Target	Transaction size ($ mil.)	% Market value
1981	Huntington	Union Commerce	86	196
1983	Norstar	Security of New York	113	138
1983	Barnett	Florida Coast	72	NA
1984	National City	BancOhio	284	123
1987	Irving Trust	Bank of New York	1,450	140
1987	Barnett	First Fulton	10	NA
1988	Boatmen's	Centerre	467	152

Barnett made clear that their skills were valued. Although their chief responsibility was now narrowed to maintaining and developing banking relationships, this was still a key role in Barnett's community banking strategy.

Hostile Deals Are Few

Only a fraction of bank holding company mergers and acquisitions have been hostile – only seven of the 1,500 deals consummated between 1980 and 1988. However, many more have been attempted that have resulted in a friendly acquisition by a white knight.

The incentives to merge are powerful, if the right partner can be found. As industry consolidation continues, aggressive institutions will have less trepidation about initiating hostile as well as friendly acquisitions, providing extra incentive to make the assessments that allow a bank to manage its destiny in the face of accelerating consolidation.

The key to success is maximizing the value-building attributes and resources of the target. □

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